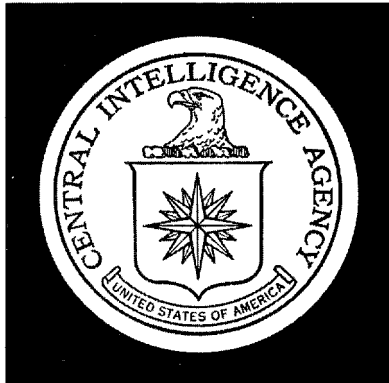


**Secret**

*No Foreign Dissem*

25



DIRECTORATE OF  
INTELLIGENCE

## Intelligence Report

# *The Situation in South Vietnam*

*(Weekly)*

**Secret**

144

6 March 1967

No. 0340/67

**Secret**

*Background Use Only*

## WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

GROUP 1  
EXCLUDED FROM AUTOMATIC  
DOWNGRADING AND  
DECLASSIFICATION

**Secret**

SECRET

NO FOREIGN DISSEM/BACKGROUND USE ONLY

CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM  
(27 February - 5 March 1967)

C O N T E N T S

	<u>Section</u>
POLITICAL SITUATION	I
Presidential politics; "False peace" demonstrations; Constituent Assembly developments.	
REVOLUTIONARY DEVELOPMENT	II
RD ministry's role in the upcoming village/hamlet elections; Chieu Hoi statistics.	
ECONOMIC SITUATION	III
Cost of living and wages of Vietnamese workers; Commodity developments; Labor problems.	

NO FOREIGN DISSEM/BACKGROUND USE ONLY

SECRET

SECRET

NO FOREIGN DISSEM/BACKGROUND USE ONLY

## I. POLITICAL SITUATION

Efforts to solicit the support of high-ranking armed forces officers for the presidential candidacies of both Premier Ky and Chief of State Thieu are apparently under way.

Meanwhile, a series of government-inspired demonstrations is being directed against peace negotiations which would lead to a coalition government. Although embroiled temporarily in the issue of peace conditions, the Constituent Assembly continues to make rapid progress in drafting the constitution.

### Presidential Politics

1. The unresolved presidential candidacies of both Premier Ky and Chief of State Thieu continue to highlight the political situation. Efforts are now apparently under way to garner the support of senior military officers for the candidacies of both men. According to a Dai Viet party member, five high-ranking officers who are secret party members have been sounded out by supporters of both Ky and Thieu on this question. Such efforts reportedly began about 20 February, and were continuing as of 1 March.

2. An earlier [ ] report indicated that Premier Ky and one of his close associates hoped to call a meeting of the Armed Forces Congress on or about 4 March to choose a military candidate for president. This decision reportedly followed the failure of Ky and Thieu on 26 February to agree between themselves on who the presidential candidate should be. There have been no reports thus far that the congress has been convened, and it may be that neither Ky nor Thieu has sufficient support among the 35 or 40 members of the congress to arrange for a showdown vote.

25X11C

3. Meanwhile, there are indications that a number of prominent civilian politicians may be in the process of forming a political front composed of several existing parties and civilian organizations. Former deputy premier

I-1

NO FOREIGN DISSEM/BACKGROUND USE ONLY

SECRET

SECRET

NO FOREIGN DISSEM/BACKGROUND USE ONLY

Tran Van Tuyen recently told a US Embassy officer that he, former premier Phan Huy Quat, mandarin Dai Viet Dang Van Sung, and several others would form a front which would line up with a presidential candidate and would also support candidates in the national assembly elections. Tuyen did not indicate which presidential candidate this front would support, but did say that it might be the military's candidate.

25X1C 4. A [ ] source in touch with labor leader Tran Quoc Buu has reported that Buu is also involved in establishing a political front with Dang Van Sung. According to Buu, both he and Sung are working for the candidacy of Premier Ky. It is not clear whether Buu's reported efforts in Ky's behalf reflect the attitude of the larger group outlined by Tuyen, although Buu and Tuyen have both referred to cooperation with Sung.

"False Peace" Demonstrations

5. The most publicized political activity last week consisted of a series of government-inspired or -supported demonstrations against any peace negotiations leading to a coalition government. The first demonstration, on 25 February, was organized by the northern refugee Catholic community near Saigon and was orderly and peaceful. On 27 February, however, a government-backed youth group concluded its demonstration against "false peace" by storming the French Consulate and doing some damage to property therein. Other similar demonstrations continued throughout the week in Saigon and other major population centers, but without further violence.

6. The superficial reason for the demonstrations was a report recently released by the Saigon government that a Vietnamese coalition government-in-exile had been formed in Paris. Thus far, however, there is no evidence that any such government has been formed, and US officials in Saigon consider the report to have been contrived by the government to discredit both the pro-neutralist exiles in Paris and the broader concept of accommodation with the Communists. Vietnamese sources have also voiced the opinion that through such demonstrations the government hopes to create a climate for a possible purge of political undesirables with neutralist tendencies, including the militant Buddhists should they attempt to become publicly active again.

I-2

NO FOREIGN DISSEM/BACKGROUND USE ONLY

SECRET

~~SECRET~~  
NO FOREIGN DISSEM/BACKGROUND USE ONLY

7. Also related to the demonstrations are the questions of Vietnamese sovereignty and who will determine the holding of peace talks with North Vietnam. The US Embassy has reported that a seminar organized by the government's youth minister on 4 March included the theme that "the US government cannot negotiate alone with North Vietnam regarding peace talks." In addition, the Peoples-Army Council, an advisory group appointed by and responsive to the military government, is scheduled on 9 March to debate the question of Vietnamese sovereignty, especially regarding the subject of peace negotiations.

#### Constituent Assembly Developments

8. The Constituent Assembly also became involved in the issue of peace conditions. There was evidence that some pressure was exerted on the assembly to take a stand on acceptable peace conditions; at least one of the demonstrations last week passed by the assembly building--causing the assembly to adjourn early. Some signs displayed in several demonstrations demanded that the assembly speak out on the subject.

9. On 2 March, one of the leaders of the northern Catholic assemblymen introduced a resolution declaring assembly opposition to "false peace." Assembly chairman Phan Khac Suu initially ruled against placing the resolution on the agenda, but eventually agreed to hold a debate on the subject. The next day the assembly unanimously adopted a resolution which declared the assembly's opposition to any peace movement which is "unjust or pro-Communist." The resolution also emphasized the assembly's determination to struggle for a "genuine" peace decided by the people of Vietnam.

10. The assembly also continued to make steady progress on drafting the constitution. During the past week or so, the assembly has completed work on the executive branch, has dealt with the entire chapter on the judiciary, and has begun to consider provisions on special institutions of the future government. The judiciary will be headed by a supreme court, which will consist of between nine and 15 judges. After some debate, the assembly approved provisions which stipulate that the legislature will select judges from a list "elected" by groups of judges, prosecutors, and lawyers.

NO FOREIGN DISSEM/BACKGROUND USE ONLY  
~~SECRET~~

SECRET

NO FOREIGN DISSEM/BACKGROUND USE ONLY

The president will then appoint judges to the supreme court from among those approved by the legislature. The supreme court itself is empowered to pass on the constitutionality of legislation, and to dissolve political parties upon a three-fourths majority vote of the judges, after consultation with representatives of both the executive and the legislature.

11. Special institutions set up by the assembly thus far include a special court, an inspectorate, and a military council. The special court, to consist of five senators and five representatives and to be headed by the supreme court chief justice, is empowered to remove from office high-level government officials, including the president, for treason and other serious crimes. The inspectorate--originally proposed as a fourth separate and equal branch of the government--will act basically as an investigative agency responsible for proposing disciplinary measures or prosecution of delinquent government employees in the courts.

12. The military council will be responsible for advising the president on military affairs, especially regarding promotions, transfers, and disciplinary measures for military personnel. By stressing personnel duties rather than broader policy responsibilities, most assemblymen apparently hoped to limit the importance of this council, although its organization and regulation was left for future legislation. Chief of State Thieu apparently has been especially desirous of establishing a powerful armed forces advisory council--perhaps to create a position for himself should he not run for president--and it is doubtful that the assembly action in this regard has satisfied him.

NO FOREIGN DISSEM/BACKGROUND USE ONLY

SECRET

SECRET

NO FOREIGN DISSEM/BACKGROUND USE ONLY

## II. REVOLUTIONARY DEVELOPMENT

Revitalizing the village/hamlet administrative machinery and the holdings of elections at this level are integral parts of the 1967 Revolutionary Development program. The organization of village/hamlet elections will, by and large, be the responsibility of the RD Ministry and the RD teams. As of 25 February, the total returnees under the Chieu Hoi program during 1967 numbered 5,189. This is an increase of 61 percent over the same period of 1966.

### RD Ministry's Role in the Upcoming Village/Hamlet Elections

1. During the week of 19 February, General Thang, the Commissioner General of the Ministry of Revolutionary Development (MORD), sent a message to all RD workers, setting forth the ministry's most important activities during 1967. The points emphasized by Thang concerned the participation of the RD teams in the organization of the village and hamlet elections; to be held in April, May, and June; in the forthcoming national elections, and in the development of Ap Doi Moi or "Real New Life Hamlets."

2. The important role of RD workers in the forthcoming elections has been underscored by Premier Ky's appointment of General Thang as chairman of a newly created Interministerial Election Committee (IEC) to provide national direction in organizing the elections. Serving on General Thang's committee are the ministers of Information and Chieu Hoi (MICH), Youth, Agriculture, Public Works, Security; the Chief of Staff of the Vietnamese Armed Forces; the director of political indoctrination of the Joint General Staff; a deputy from the Constituent Assembly, and a member of the People's Army Council. In addition to the IEC, the government has also established, at the province level, Provincial Election Committees (PEC).

II-1

NO FOREIGN DISSEM/BACKGROUND USE ONLY

SECRET



**SECRET****NO FOREIGN DISSEM/BACKGROUND USE ONLY**

The latter are chaired by the province chief and include the chiefs of RD, police, the Vietnamese Information Service, provincial council members, the Constituent Assembly members from the province, and a member of the People's Army Council. Between 22 and 28 February Premier Ky and members of the IEC visited each corps to conduct election seminars with the members of the provincial committees and to emphasize their interest and commitment to the elections.

3. There is no direct police representation on the IEC, although police director General Loan's nominal superior, the Minister of Security, is a member. The national police, however, will play a significant role in the upcoming elections since they are likely to bear primary responsibility for providing security to candidates, and the US mission intends to press the GVN to provide security on a continuing basis to elected local officials. The police are reportedly working with the Joint General Staff in the formulation of security and operational plans. US officials report that the agencies concerned are making satisfactory arrangements for meeting the special requirements which will arise.

4. The election of village councils and hamlet chiefs will require considerably more administrative preparation by the government than was required for the Constituent Assembly elections held in September 1966. Since the number of candidates and officers to be filled is very large--six to twelve-man councils in each of approximately 1,300 villages and some 5,500 hamlet chiefs--the screening process and mechanical preparations will be costly and burdensome, but are apparently within GVN capabilities. In hamlets with a population of 3,000 or more, a deputy hamlet chief will also be elected. The US Office of Civilian Operations (OCO) and MACV advisors have been instructed by the Mission Council to encourage elections in all possible locations.

5. Elections are to be staggered in each province with no more than 30 percent of the villages or hamlets in a province voting on any one election day. The timing of these elections will be phased

II-2

**NO FOREIGN DISSEM/BACKGROUND USE ONLY****SECRET**

**SECRET****NO FOREIGN DISSEM/BACKGROUND USE ONLY**

so that 30 percent of the villages in a province will elect councils on 2 April, 30 percent on 9 April, 20 percent on 16 April, 10 percent on 23 April, and 10 percent on 30 April. Similarly, 30 percent of the hamlets in each province will elect chiefs (and deputy chiefs where applicable) on 14 May, 30 percent on 21 May, 20 percent on 28 May, 10 percent on 4 June, and 10 percent on 11 June. The purpose of holding the local elections in phases is so that security forces can be concentrated to protect the elections from Viet Cong harassment. The reason for having a smaller percentage of villages and hamlets hold their elections on some dates is presumably that the areas involved require a larger concentration of security forces.

6. Refugees will be permitted to vote in the 1967 elections if they are located in an area where elections are to be held. This is in accordance with the rules laid down for voting in the 1966 Constituent Assembly elections. Although, once again, there is no length-of-residence requirement for voting, candidates for village councils, hamlets chiefs, and deputy chiefs must have resided in their area for at least one year to be eligible for office. Winning candidates will hold office for three years.

7. The legal framework for the reorganization of village and hamlet administration and the election of village/hamlet officials stems from a series of laws and decrees promulgated on 24 December 1966 and 9 January 1967. The present laws create, or more accurately restore--since the Diem regime abolished elective village government--an elected village council with authority over budget, taxes, land transfers, public services, and internal village legal matters. The village chief, whose title is Chairman of the Village Administrative Committee (VAC), will be elected by the village council. He will have the authority to choose his own staff (VAC), with the exception of the village secretary who will be appointed by the province chief. This appointment is intended to ensure some

II-3

**NO FOREIGN DISSEM/BACKGROUND USE ONLY****SECRET**

~~SECRET~~

NO FOREIGN DISSEM/BACKGROUND USE ONLY

degree of expertise and continuity in management should the village chief lack administrative experience or be assassinated during his tenure.

8. The new laws authorize a 40-70 percent increase in cash allowances to village and hamlet officials; this should enable them to bear a greater amount of the expenses involved in carrying out their duties. Salaries have been established which provide fixed differentials between elected village and hamlet officials and RD workers and between various positions filled in the village organization or RD teams. The authority of the village in fiscal matters has been extended to include village projects. Projects costing up to one million Vietnamese piasters can be formulated and approved by the village council, but sums in excess of this amount require the approval of the province chief.

9. The recent decrees have the effect of strengthening the position of the village council vis-a-vis the province chief. Under the decrees, the village council can only be removed on the recommendation of a committee consisting of the province chief, a judge (or justice of the peace), and an elected member of the provincial council. An individual member of a village council can only be removed with the acquiescence of two thirds of the council itself. The power of a district chief to effect the arbitrary removal of a village chief is also restricted since the village council must concur in any such removal.

10. Two significant weaknesses remain in present legislation. As initially drafted, the decrees subordinated the local Popular Force commander and his troops to the control of the village chief; however, reportedly under pressure from former Defense Minister General Co and others, the language was changed in the final decree to give the village chief only the authority to request the Popular Forces to provide support. The Ministry of Revolutionary Development appears to have got around this barrier to military protection by sponsoring the enactment of a law creating "People's Self Defense Forces," a hamlet militia to be trained and

II-4

NO FOREIGN DISSEM/BACKGROUND USE ONLY

~~SECRET~~

**SECRET**

**NO FOREIGN DISSEM/BACKGROUND USE ONLY**

equipped by RD teams. These militia groups should be able to provide security in hamlet/village complexes where no PF are available or where the local military commander is uncooperative.

11. The second weakness in the decrees relates to the important post of Village Administrative Committee member for security. The law states only that the appointment and removal of all VAC members, including the member for security, is to be by the decision of the village chief with the concurrence of the village council. All appointments to the VAC are to be in accordance with procedures set forth by the province chief, but no existing laws specify procedures. Since General Loan is incorporating all village policemen into the national police system, and since the most likely candidates for security officer will come from the police, it appears an attempt is being made to fill the position of village security officer with an individual responsive to direction from higher levels. Such an attempt may not be entirely unwarranted since, at village and hamlet levels, the strength of the covert Communist apparatus may require that the security officer be as immune as possible to local pressures.

12. Under the decrees, hamlet officials have been guaranteed tenure independent of the village council and VAC. Furthermore, the hamlet chief is charged with implementing the directives of local administrative authorities, not higher authorities. These provisions emphasize the dependence of the hamlet chief on the support of his constituents rather than on the personal desires of higher officials.

13. The Special Commission for Administration (SCA), subordinate to the Minister for Revolutionary Development, has been carrying on a program to instruct administrative personnel at all echelons on the procedures to be used in the upcoming elections. In addition to traveling teams from the SCA and SCA seminars in Saigon and in the Corps areas, the individual Corps are establishing regional training courses. To publicize the elections, the SCA and

**NO FOREIGN DISSEM/BACKGROUND USE ONLY**

**SECRET**

**SECRET**

NO FOREIGN DISSEM/BACKGROUND USE ONLY

MICH are planning an extensive "get out the vote" campaign utilizing radio, TV, posters, and the press. In a speech before an administrative reform conference in Saigon on 24 January, Nguyen Van Tuong, the Secretary of the SCA, stressed that the reform of village and hamlet administrative machinery was designed to revive the social foundations of the GVN administrative system, and that the administrative reform plan was an integral part of the 1967 Revolutionary Development Program.

14. The US Mission Council has established an interagency election committee under the chairmanship of the deputy chief of the political section. The committee includes representatives of all US component agencies concerned, such as MACV, AID, OCO, JUSPAO, and OSA. The committee's function is to monitor GVN preparations, giving encouragement and guidance as required. The GVN is expected to ask for US assistance in the transportation of materials and officials in the upcoming village/hamlet elections and possibly for military support. The policy of the mission will be to allow selected GVN officials to use US aircraft only when absolutely necessary; candidates for office will be denied such use.

#### Chieu Hoi Statistics

15. South Vietnam's Ministry of Information and Chieu Hoi reports that 616 Viet Cong rallied in the period 12-18 February. Of the week's total, 484 were military returnees. Eleven provinces, including Binh Dinh, Phu Yen, and Vinh Long which usually have high numbers of returnees, are not included in the week's total. The breakdown for the week follows:

I Corps	24
II Corps	71
III Corps	413
IV Corps	<u>108</u>
TOTALS	616

II-6

NO FOREIGN DISSEM/BACKGROUND USE ONLY

**SECRET**

**SECRET****NO FOREIGN DISSEM/BACKGROUND USE ONLY**

16. The number of returnees for the period 19-25 February was 1,108. The breakdown for the week follows:

I Corps	105
II Corps	293
III Corps	325
IV Corps	<u>385</u>
 TOTAL	 1108 (718 military returnees)

17. Total returnees for the week ending 25 February include two week's defector take from the 11 provinces which failed to report the previous week. If this is taken into account, the week appears to be the first in 1967 which did not show an appreciable increase over the same time frame in 1966. However, the total number of returnees for 1967 is approximately 61 percent greater than for the same period last year. If this trend (see table below) continues unabated, an estimated 32,000 may rally to the GVN in 1967.

	<u>1967</u>	<u>1966</u>
Period 19-25 February	1,108	922
Previous week	616	441
Total for February	2,917	2,082
Year's total to Date	5,189	3,185

18. An interim analyses of the various data available to JUSPAO indicates that there are three major factors which influence Viet Cong to rally. The most important factor appears to be the reputation of the Chieu Hoi Center and the program of the center. Military pressure and psychological operations are considered the second and third most significant factors.

II-7

**NO FOREIGN DISSEM/BACKGROUND USE ONLY****SECRET**

**SECRET**

NO FOREIGN DISSEM/BACKGROUND USE ONLY

### III. ECONOMIC SITUATION

Price data for the week ending 27 February have not yet been received. According to the Vietnamese Confederation of Labor, wages of workers in the Saigon area lag behind minimum expenditures needed to support a family of six. The typical family bridges the gap between earnings and expenditures by relying on more than one income in the family. Indications of growing labor unrest are emerging, but a threatened strike of electric power employees has been averted. The total rice supply situation for 1967 appears satisfactory with planned imports of rice now totaling 870,000 tons. Latest estimates of this year's domestic rice crop, however, indicate that production will be below that of last year. With the arrival of imported frozen pork and ample deliveries of hogs from the provinces, the supply of pork is now quite adequate.

#### Cost of Living and Wages of Vietnamese Workers

1. According to a publication of the Vietnamese Confederation of Labor (CVT), a Saigon worker with a family of four children needs at least 9,050 piasters a month to make ends meet. This amount is broken down by expenditure as follows (in percent): food, 56; utilities and household supplies, 10; rent, 11; transportation, 4; clothing, 8; and school costs, newspapers, etc., 11. This budget is a meager one without provision for medical care, insurance or savings. The rather small percentage allocated for rent results from the fact that housing is generally shared with one or more families. According to the last study of family expenditures conducted by the GVN National Institute of Statistics (NIS) in 1963, a working class family of seven in Saigon spent 4,044 piasters a month. The NIS' percentage breakdown of expenditures was roughly the same as those given in the CVT budget.

III-1

NO FOREIGN DISSEM/BACKGROUND USE ONLY

**SECRET**

**SECRET**

NO FOREIGN DISSEM/BACKGROUND USE ONLY

2. The CVT publication cites the earnings of unskilled workers as averaging 4,000 to 5,000 piasters a month, while the monthly earnings of skilled workers average 7,000 to 10,000 piasters. The typical family bridges the gap between earnings and expenditures by relying on more than one income in the family. An increasing number of wives and older children are now employed. In addition, the CVT points out some workers resort to petty thievery because of the increased cost of living.

#### Commodity Developments

3. The US has agreed to increase exports of US PL-480 rice to South Vietnam from 200,000 to 300,000 tons during 1967, on the basis of 100 percent US use of piaster proceeds. As a result, total Vietnamese rice imports in 1967 should total 870,000 tons; 750,000 tons from the US (450,000 tons on normal PL-480 terms), 100,000 tons from Thailand and 20,000 tons from Taiwan. A GVN delegation is now in Taipei to negotiate for the 20,000 tons. Although the total supply situation for the remainder of 1967 appears satisfactory, the domestic rice situation continues to deteriorate. The latest estimate of this year's crop is 4.5 million tons of paddy compared with 4.8 million tons last year and an annual average of 5.2 million tons in the preceding three years.

4. As a result of the arrival of 1,500 tons of frozen pork from Argentina and ample deliveries of hogs from the provinces, the supply of pork is now quite adequate. Of the 1,500 tons of imported pork, probably about half will be put in cold storage and half will be sold now. The Federal Republic of Germany has agreed to lend the GVN about \$2.8 million for the construction of a new slaughterhouse in Saigon. The construction of this facility and possible construction of new cold storage plants should enable the GVN to maintain supplies of pork sufficient to compensate for any future decline in deliveries of live hogs.

#### Labor Problems

5. Problems involving US-GVN-Philippine relations have developed in connection with the planned

III-2

NO FOREIGN DISSEM/BACKGROUND USE ONLY

**SECRET**



SECRET

NO FOREIGN DISSEM/BACKGROUND USE ONLY

layoff of workers by RMK-BRJ, the American construction combine in South Vietnam. The company has started its phasedown, which will involve the release of several thousand employees--including hundreds of third-country nationals (TCNs), by canceling arrangements to hire 35 Filipinos who were ready to leave Manila for Saigon. Negotiations between the company and the Philippine labor ministry began in September 1966, but contract differences delayed actual hiring until now. The US Embassy in Manila reports that the Filipinos probably will regard the cancellation as cavalier treatment, considering that they had been asked to quit former jobs and were promised immediate employment. RMK-BRJ already has canceled arrangements to bring in 100 Koreans, and, if the same policy is not followed for the Filipinos, the Koreans undoubtedly will protest.

6. The problem of these 35 workers appears to be an unfortunate prelude to that of working out the planned release of 500-600 Filipinos during the next few months. RMK-BRJ expects to release some 200 in the next few weeks, and embassy officials fear that the misfortune of the 35 workers stranded in Manila will hamper discussions with the Philippine labor ministry on phasing out the larger number. The GVN, of course, prefers that TCNs be released before Vietnamese workers.

7. Discussions began last week among representatives of the GVN Ministry of Labor, RMK-BRJ, and the US Embassy concerning the forthcoming layoffs of Vietnamese workers. Agreement was reached on amount of notice to be given before discharge and payment for accrued vacations, but further study will have to be given to GVN requests for increased severance pay. US officials believe that additional requirements for severance pay at this time may lead to similar demands being levied on other employers.

8. A recent labor dispute of much smaller proportions illustrates the growing feeling among many Vietnamese that US firms and agencies treat them callously. The Chase Manhattan Bank in Saigon is embroiled in a dispute resulting from the sudden

III-3

NO FOREIGN DISSEM/BACKGROUND USE ONLY

SECRET

SECRET

NO FOREIGN DISSEM/BACKGROUND USE ONLY

discharge of ten Vietnamese employees. The bank manager reportedly felt that the Vietnamese chief clerk was shaking down his fellow employees and summarily fired him. Nine other Vietnamese, considered as excess employees by an investigating team from the bank's New York headquarters, were offered two and one-half months separation pay to resign, but refused to do so. The Vietnamese, who are members of the Bank Employees Union, have protested their dismissal as unjust and claim that new employees have been hired to replace them. The union has indicated that, if their protests are not heeded, it will consider a strike. The embassy reports that this minor dispute is getting considerable unfavorable press attention.

9. Another recent indication of labor unrest involves several hundred teachers in some 50 private schools for Chinese students in the Saigon area. These teachers have again formed a union in order to press for higher wages. The union claims that during 1966 student fees rose 100-150 percent while teachers' salaries increased by only a maximum of 60 percent. The first attempt of this group to organize a union failed when the GVN refused to recognize the group as a legitimate union, and this new effort could meet the same fate. Teachers in government schools are forbidden to join a union.

10. A possible nationwide strike of electric power employees was averted on 26 February when the management of the government-owned electrical power system acceded to labor union demands to cancel the transfer of two union officials from Saigon to Central Vietnam. The union had charged that the transfer of these two officials threatened the union's existence.

III-4

NO FOREIGN DISSEM/BACKGROUND USE ONLY

SECRET

**Secret**

**Secret**